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SUBJECT: CZECH ELECTIONS - TOO EARLY AND TOO CLOSE TO CALL, BUT FEW THREATS TO U.S. INTERESTS

REF: PRAGUE 1447

Classified By: Pol-Econ Chief Mike Dodman for reasons 1.4 b+d

¶11. SUMMARY. (C) The Czech Republic will hold general elections next June. This cable summarizes current election trends and possible outcomes, and assesses impact on US interests in the Czech Republic. Septels will discuss in greater detail the positions of individual parties. Under the proportional representation system, no single party is likely to win enough votes to form a government. Four probable post-election scenarios present themselves, including a center-right coalition with a slender majority, a grand coalition of the Civic Democrats and the Social Democrats, a minority Social Democrat government, and the emergence of a new small party that makes other coalitions possible. None of the outcomes would produce a stable government; likewise none is likely to be a remedy to the corruption that is sure to be a campaign issue. Of concern is the possible role for the Communist party in a minority CSSD government, which is the only scenario that could produce some changes in the Czech Republic's strongly transatlantic foreign policy.

CSSD is back

¶12. (SBU) Until recently, few observers gave the Czech Social Democrats (CSSD) any chance of taking a leading role after the 2006 elections. Under CSSD Prime Ministers Spidla and Gross, the party's polling numbers fell sharply, reaching as low as 11% during the spring 2005 crisis that brought down Gross. At the same time, support for the main opposition party (the center-right Civic Democrats, ODS) jumped to nearly 40%. However, CSSD has rebounded sharply under PM Paroubek, and the party is now firmly in the running to play a role in the next government. The latest opinion poll, released October 19, shows the following levels of support for the four parties expected to make it into the next parliament.

Civic Democrats (ODS)	32.3%
Social Democrats(CSSD)	24.5%
Communists (KSCM)	15.5%
Christian Democrats (KDU-CSL)	8.4%

3.(C) If these four parties are the only ones that make it over the 5% hurdle, there are three possible scenarios for the next government. The first is a coalition between the two center-right parties, ODS and KDU. In the October 19 poll, under the D'hondt system, ODS and KDU would have 101 seats in a 200 seat legislature, leaving the Social Democrats and the Communists in opposition with 99 seats. This would be the best scenario for US business interests and transatlantic ties. However, an ODS/KDU coalition would present difficulties, which would be compounded by a very slim majority. ODS Chairman Mirek Topolanek is not a proven leader and could have a difficult time working with the KDU-CSL leader Kalousek, who has been such a difficult partner for the CSSD.

One Option: The German Solution

4.(SBU) With CSSD's popularity continuing to grow, there is a real possibility that CSSD will be in a position to form the next government. One scenario would be a grand coalition with ODS. Although PM Paroubek has clearly stated he does not favor a grand coalition, most observers discredit the repeated denials. An ODS-CSSD government would have both positive and negative consequences. First of all, the current foreign policy that recognizes NATO as the main pillar of national defense and promotes strong transatlantic ties would continue. Such a coalition might also be able to reach across the political divide and achieve broadly acceptable compromises on some long standing problems, such as the need for reforms in health care and pensions. A grand coalition would also have enough votes to pass constitutional reforms, requiring 120 of 200 seats. Some analysts have pointed out, for example, that CSSD and ODS could change the electoral law in the lower house from one based on proportional representation, to a majority system to reduce the role of smaller parties, such as the Communists (in the Senate where a majority system is used, Communists hold only

2 of the 81 seats). On the down side, it is widely believed that a grand coalition would also mean more corruption, a system of dividing the spoils, and a further deterioration in the public's confidence in government (the last period of ODS-CSSD cohabitation, when ODS supported a minority CSSD government under the terms of the 1998 & opposition agreement,⁸ was remarkable for its high level of corruption). Finally, a grand coalition would leave the Communists as the main opposition party, something the Communists themselves say would help them in the 2010 elections.

An Alternative: CSSD on its own, with role for KSCM

15. (SBU) The third scenario, which PM Paroubek says he would prefer, is a minority CSSD government that draws ad hoc support from the other three parties, depending on the issue. This would include occasional support from the Communists (KSCM), which has raised concerns, in spite of Paroubek's repeated insistence that he will not form a formal coalition with KSCM. Although the Communists cooperate with all parties at the municipal level, where they have hundreds of mayors and thousands of city councilors, and, in spite of being an opposition party, have from time to time voted with the current coalition, open cooperation with the Communists at the national level would be something new and a step closer to the re legitimization of the party. This is a scenario that troubles many, but not all Czechs. Jan Prokes, a member of the CSSD central committee told the Embassy, "this is an arrangement we could live with."

6.(C) The Communists are currently only mildly influential at the national level. In either the first or second scenarios listed above, the Communists would have no real influence on national policy. However, a minority CSSD government that openly deals with the Communists would increase their influence on certain issues, such as labor, health care, pensions, rent control, and tuition) likely with negative long-term impact on the economy and investment climate. While CSSD would not give the KSCM a formal role in foreign policy, it is not hard to imagine that the government would be inclined to positions that might satisfy the KSCM, including favoring the United Nations and possibly reducing the Czechs active role promoting democracy in places like Cuba and Belarus. While the broad thrust of Czech foreign and security policy would remain firmly transatlantic, we would find it more difficult to work with the Czechs on specific US priority initiatives.

A Final Possibility: A new party?

17. (SBU) The final scenario is one in which a small party makes it into parliament for the first time. The most likely party right now is the Green Party. Although practically every other country in Europe has Green party members in parliament, the Czech Republic hasn't ever had any in its lower house. In the past, the party was led by well meaning activists rather than professional politicians. This has recently changed. The new leader is Martin Bursik, a former government minister (Minister of Environment in 1997 Tosovsky Government). He is bringing other politicians and a sense of professionalism into the party. Political analyst Jiri Pehe also thinks that many of the youngest voters, who have never before participated in an election, could vote for the Greens as a kind of cool thing, a protest against the current corrupt system. The Greens received 2.4% in the 2004 elections and are now polling slightly over 3%.

18. (U) Priorities for the Green party, according to Petr Stepanek, who is one of the leaders of the party and has responsibility for foreign relations, would be strengthening European integration and fighting corruption. NATO would remain as the main pillar of Czech security. Stepanek said the Greens defense and security policy would be similar to that of CSSD. The Greens would also do more to help the handicapped. If Greens make it into parliament, they could replace Freedom Union (US-DEU, which is nearly certain to fall short of the 5% needed for entry into the next parliament) in a center left CSSD-KDU-GREENS coalition. Other small parties, although currently polling at one percent or lower, could perform a similar function.

19. (SBU) One threat in terms of a new party is the Independent Democrats (NezDem) recently formed by MEP Vladimir Zelezny. The party has taken a very nationalistic stance, and made imposition of visas for US visitors one of their central proposals, along with an end to the & Islamicization of Europe⁸. One analyst described an ODS-NezDem or ODS-KDU-NezDem coalition as the worst possible scenario for the U.S. because it would lead to a government that was xenophobic, anti EU, and anti foreign investment.

110. COMMENT. (C) The 2006 election campaign is already well underway. PM Paroubek's efforts to work with KSCM on

socially popular legislation like the Labor Code (reftel) is a reflection of his determination to improve CSSD's election chances; we fear that his recent statements regarding U.S. visas are a reflection that he, like Zelezny, sees this as a way to win votes. In short, pre-election politics will mean more work defending USG interests. One positive note is that Paroubek is committed to passage of the 2006 deployment bill, which includes Czech troops in Iraq and Afghanistan, and the ODS has likewise pledged support, which should translate into passage by a comfortable majority.

11. (C) The Czech political spectrum is still unsettled, and the next eight months will surely see polling preferences continue to fluctuate in response to scandals and other developments. However, while the 2006 election may well see one or more new parties enter parliament, we do not expect a substantial realignment of the political scene or a noticeable swing to either left or right. The posturing that is currently taking place (such as Paroubek's claims that he prefers a minority government with KSCM support over a grand coalition with ODS) will continue but all of this will be set aside once the election numbers are in and the actual bargaining begins. The most likely outcome is an essentially centrist government that continues to broadly support U.S. foreign policy and other goals; but at the same time a government that will likely be as unstable and open to corruption as recent Czech governments have been. Regardless of the 2006 results, the gradual emergence of the KSCM from the political wilderness is likely to continue, and this will surely become more of a factor in the run-up to the 2010 elections.

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